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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/853,566	05/10/2001	Philip T. Davis	18680-250050	6320
27496	7590	05/04/2006	EXAMINER PORTER, RACHEL L	
PILLSBURY WINTHROP SHAW PITTMAN LLP P.O BOX 10500 McLean, VA 22102			ART UNIT 3626	PAPER NUMBER

DATE MAILED: 05/04/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

**Office Action Summary**

Application No.

09/853,566

Applicant(s)

DAVIS, PHILIP T.

Examiner

Rachel L. Porter

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

- 1) ☒ Responsive to communication(s) filed on 05 December 2005.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

- 4) ☒ Claim(s) 1-17 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-17 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

**Application Papers**

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

**Priority under 35 U.S.C. § 119**

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
  - ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

**Attachment(s)**

- |   |   |
|---|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)   | 4) <input type="checkbox"/> Interview Summary (PTO-413)<br>Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)  | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152)             |
| 3) <input checked="" type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)<br>Paper No(s)/Mail Date <u>3/9/04</u> . | 6) <input type="checkbox"/> Other: _____  |

## **DETAILED ACTION**

### ***Notice to Applicant***

1. This communication is in response to the election filed 12/5/05. Claims 1-17 are pending. Claims 18-24 have been cancelled.

### ***Election/Restrictions***

2. Applicant's election with traverse of invention I in the reply filed on 12/05/05 is acknowledged. The traversal is on the ground(s) that the search and examination of inventions I and II (claims 1-17) do not constitute a serious burden on the examiner. In light of the claim amendments and Applicant's arguments, the restriction of Inventions I and II has been withdrawn. Claims 1-17 will be examined on the merits.

### ***Claim Rejections - 35 USC § 112***

3. The following is a quotation of the second paragraph of 35 U.S.C. 112:  
  
The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.
4. Claims 1-17 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.
5. Claims 1, 10, and 14 recite the limitation "the employee" in the "permitting the substitution..." There is insufficient antecedent basis for this limitation in the claim. None of the claims previously recites "an employee." Also, it is unclear to the Examiner

if the recited "employee" is the same individual as the "participant" also recited throughout the claims. For clarity, the Examiner respectfully requests that the Applicant use the same terminology to refer to the same individual and/or element throughout the claim language.

Claims 2-9, 11-13, and 15-17 inherit the deficiencies of their respective independent claims through dependency and are therefore also rejected.

***Claim Rejections - 35 USC § 103***

6. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

7. Claims 1-17 are rejected under 35 U.S.C. 103(a) as being unpatentable over Banks (USPN 5,913,198) in view of Ryan (USPN 5,802,500).

[claim 1] Banks discloses a method for providing survivor's benefits to be paid to a designated beneficiary of a plan participant so that income tax and estate tax liability are minimized, thereby resulting in the receipt of a higher percentage of the benefits by the beneficiary, the method further producing a net reduction in liabilities for the participant's employer, (col. 6, lines 31-39) the method comprising the steps of:

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- determining an amount of survivors' benefits to be paid to the participant's designated beneficiary, wherein at least a portion of the determined benefits are existing survivors' benefits designated under a plan; (col. 4, lines 34-49)
- permitting by the employee, the substitution of a life insurance policy for the determined benefits; (col. 4, lines 13-20)
- selecting the life insurance policy having a benefit amount approximately equal to the determined benefit amount; (col. 8, lines 20-33)
- providing a computer system (col. 6, lines 40-col. 7, line 15) for performing the steps of:
  - o calculating a premium amount to be paid on behalf of the participant for the insurance policy having the selected benefit amount; and (col. 4, lines 50-col. 5, line 5; col. 8, lines 9-19 (self-insured); lines 45-50)
  - o calculating a before-tax value of a reduction in the participant's compensation such that an after-tax value of the reduction is approximately equal to the insurance policy premium; (col. 8, lines 20-33; col. 10, lines 39-45—survivor benefit/income offset )
  - o deducting the reduction value calculated by the computer system from the participant's compensation; (col. 10, lines 39-45—survivor benefit/income offset)
  - o designating a beneficiary of the insurance policy; (col. 9, lines 3-8—select survivor to receive benefit on enrollment forms)

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- paying the insurance premium on behalf of the participant; and (col. 9, lines 19-42)

Banks discloses the method substantially as explained above. Banks further discloses that the system/method updates insurance policy information for the determined benefits to minimize liabilities and tax exposures for the plan. (col. 13, lines 1-8), but does not expressly disclose entering the liability information on a balance sheet. Ryan discloses accounting practices of companies regarding benefit plans, including entering and minimizing various liabilities on balance sheets (col. 20, lines 50-64). At the time of the applicant's invention, it would have been obvious to one of ordinary skill in the art to modify the method of Banks with the teaching of Ryan to record accrued liabilities on a balance sheet. As suggested by Ryan, one would have been motivated to include this feature to provide documentation of compliance with IRS codes/requirements, while minimizing tax burdens. (col. 25, lines 27-col. 26, line 11)

[claim 2] Banks teaches a method wherein the amount of survivor's benefits is determined by the participant or the participant's employer. (col. 7, lines 25-59)

[claim 3] Banks teaches a method wherein the plan is selected from the group consisting of a non-qualified deferred compensation plan and a supplemental executive retirement plan. (col. 9, lines 9-42)

[claims 4-5] Banks teaches a method wherein the reduction the participant's compensation is a reduction from a salary paid by the employer to the participant. (col. 4, lines 27-32)

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[claim 6] Banks discloses a method wherein the determined benefits are greater than the existing survivors' benefits. (col. 8, lines 13-19)

[claim 7] Banks discloses a method further including an elimination of an existing survivor's benefit. (col. 8, lines 20-24—calculated present value of pension survivor benefits might be zero)

[claim 8] Banks discloses a method further comprising the step of upon the death of the participant, receiving by the beneficiary a remaining benefit amount of the insurance policy on an income tax-free and estate tax-free basis. (col. 7, lines 52-59; col. 13, lines 1-8)

[claim 9] Banks discloses a method wherein the amount received by the beneficiary is approximately equal to the pre-tax value of the survivor's benefits intended to be distributed by the participant and the employer. (col. 7, lines 52-59; col. 13, lines 1-8)

[claim 10] Banks teaches a method for providing survivor's benefits to be paid to a designated beneficiary of a plan participant so that income tax and estate tax liability are minimized, thereby resulting in the receipt of a higher percentage of the benefits by the beneficiary, the method further producing a net reduction in liabilities for the participant's employer, (col. 6, lines 31-39) the method comprising the steps of:

- reviewing an existing compensation structure to determine an amount of survivors' benefits currently provided; (col. 4, lines 34-49; col. 8, lines 19-33)
- permitting the substitution of a life insurance policy for survivors' benefits by the employee; (col. 4, lines 13-20)

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- calculating a reduction in plan survivorship liabilities caused by the substitution of the life insurance policy for survivors' benefits; (col. 7, lines 45-59)
- selecting the life insurance policy, wherein the life insurance policy has a benefit amount approximately equal to the determined benefit amount; (col. 8, lines 20-33)
- providing a computer system (col. 6, lines 40-col. 7, line 15) for performing the steps of:
  - o calculating a premium amount to be paid by the employer for the insurance policy; and (col. 4, lines 50-col. 5, line 5; col. 8, lines 9-19 (self-insured); lines 45-50)
  - o calculating a before-tax value of a reduction in the participant's compensation such that an after-tax value of the reduction is approximately equal to the insurance policy premium; (col. 8, lines 20-33; col. 10, lines 39-45—survivor benefit/income offset )
  - o paying the insurance premium calculated by the computer system; col. 9, lines 19-42)
  - o designating a beneficiary of the insurance policy; and(col. 9, lines 3-8—select survivor to receive benefit on enrollment forms)

Banks discloses the method substantially as explained above. Banks further discloses that the system/method updates insurance policy information for the determined benefits to minimize liabilities and tax exposures for the plan. (col. 13, lines 1-8), but does not expressly disclose entering the liability information on a balance sheet. Ryan



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discloses accounting practices of companies regarding benefit plans, including entering and minimizing various liabilities on balance sheets (col. 20, lines 50-64). At the time of the applicant's invention, it would have been obvious to one of ordinary skill in the art to modify the method of Banks with the teaching of Ryan to record accrued liabilities on a balance sheet. As suggested by Ryan, one would have been motivated to include this feature to provide documentation of compliance with IRS codes/requirements, while minimizing tax burdens. (col. 25, lines 27-col. 26, line 11)

[claim 11] Banks teaches a method wherein the plan is selected from the group consisting of a non-qualified deferred compensation plan and a supplemental executive retirement plan. (col. 9, lines 9-42)

[claim 12] Banks discloses a method further comprising the step of agreeing by the parties to continued payment of the insurance plan premium.( col. 4, lines 25-38; col. 13, lines 1-8)

[claim 13] Banks discloses a method further comprising the step of: upon the death of the participant, receiving by the beneficiary the benefit amount of the insurance policy on a minimized income tax and estate tax basis. (col. 7, lines 52-59; col. 13, lines 1-8)

[claim 14] Banks discloses a method for providing survivor's benefits to be paid to a designated beneficiary of a plan participant without income tax and estate tax liability, thereby resulting in the receipt of a higher percentage of the benefits by the beneficiary, (col. 6, lines 31-39) the method comprising the steps of:

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- reviewing an existing compensation structure to determine an amount of survivors' benefits currently provided; (col. 4, lines 34-49; col. 8, lines 19-33)
- determining an amount of benefits to be paid to the participant's survivor; (col. 4, lines 34-49)
- permitting, by the employee, the substitution of a life insurance policy for the survivors' benefits; (col. 4, lines 13-20)
- calculating a reduction in plan survivorship liabilities; (col. 7, lines 45-59)
- selecting a life insurance policy having a benefit amount approximately equal to the determined benefit amount; (col. 8, lines 20-33)
- providing a computer system (col. 6, lines 40-col. 7, line 15) for performing the steps of:
  - o calculating an after-tax premium to be paid by the plan participant's employer for the insurance policy having the selected benefit amount; and (col. 4, lines 50-col. 5, line 5; col. 8, lines 9-19 (self-insured); lines 45-50)
  - o calculating a before-tax value of a reduction in the participant's compensation such that an after-tax value of the reduction is approximately equal to the premium; (col. 8, lines 20-33; col. 10, lines 39-45—survivor benefit/income offset )
  - o paying of the insurance premium calculated by the computer system to purchase the life insurance policy, wherein the before-tax value of the reduction is retained by the employer to substantially offset the after-tax premium paid by the employer such that the employer purchases the life

insurance policy at substantially no cost to the employer; (col. 4, lines 27-32)

- o designating the plan participant's survivor as a beneficiary of the insurance policy; (col. 9, lines 3-8—select survivor to receive benefit on enrollment forms)

Banks discloses the method substantially as explained above. Banks further discloses that the system/method updates insurance policy information for the determined benefits to minimize liabilities and tax exposures for the plan. (col. 13, lines 1-8), but does not expressly disclose entering the liability information on a balance sheet. Ryan discloses accounting practices of companies regarding benefit plans, including entering and minimizing various liabilities on balance sheets (col. 20, lines 50-64). At the time of the applicant's invention, it would have been obvious to one of ordinary skill in the art to modify the method of Banks with the teaching of Ryan to record accrued liabilities on a balance sheet. As suggested by Ryan, one would have been motivated to include this feature to provide documentation of compliance with IRS codes/requirements, while minimizing tax burdens. (col. 25, lines 27-col. 26, line 11)

[claim 15] Banks discloses a method wherein the plan is selected from the group consisting of a non-qualified deferred compensation plan and a supplemental executive retirement plan. (col. 9, lines 9-42)

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[claim 16] Banks discloses a method further comprising the step of agreeing by the parties to continued payment of the insurance plan premium. ( col. 4, lines 25-38; col. 13, lines 1-8)

[claim 17] Banks discloses a method further comprising the step of upon the death of the participant, receiving by the beneficiary the benefit amount of the insurance policy on a minimal income tax and estate tax basis, wherein the amount received by the beneficiary is approximately equal to the pre-tax value of the survivor's benefits intended to by the participant and the employer to be distributed. (col. 7, lines 52-59; col. 13, lines 1-8)

### ***Conclusion***

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Rachel L. Porter whose telephone number is (571) 272-6775. The examiner can normally be reached on M-F, 9:30-6:00.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Joseph Thomas can be reached on (571) 272-6776. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

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Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

*RP*  
RP

  
C. LUKE GILLIGAN  
PATENT EXAMINER